

Contributors

Mitch Villeneuve

Director, Economic Policy

Scotiabank Economics

416.350.1175

mitch.villeneuve@scotiabank.com

John Fanjoy

Economist

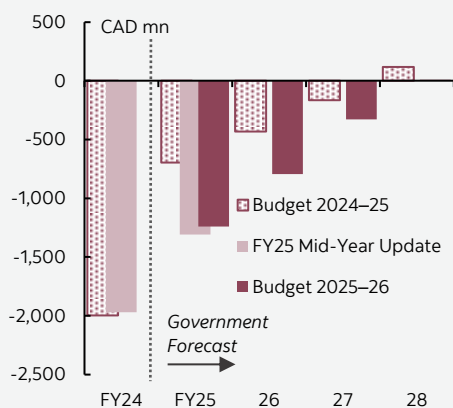
Scotiabank Economics

416.866.4735

john.fanjoy@scotiabank.com

Chart 1

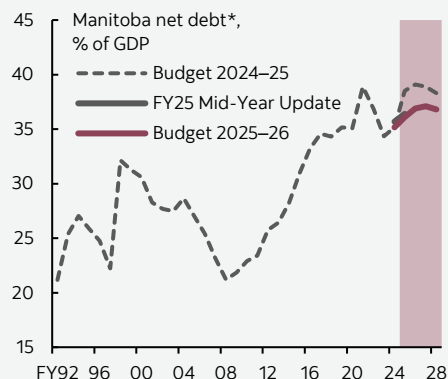
Manitoba's Budget Balances



Sources: Scotiabank Economics, Manitoba Finance.

Chart 2

Manitoba's Net Debt Projections



* Per Finance Canada Fiscal Reference Tables.
Sources: Scotiabank Economics, Finance Canada, MB Finance.

Manitoba: 2025-26 Budget

RETURN TO BALANCE IN FY28 REMAINS TARGET, BUT DOWNSIDE RISKS INTENSIFY

- Manitoba's NDP government increases spending for health, education, and capital projects without delaying the planned return to balance—in part thanks to a mix of tax increases that will support strong revenue growth, and reducing contingencies in outer years. While contingencies are prudently increased for FY26, they could be overwhelmed in a downside scenario. The government estimates that if the tariffs and counter-tariffs are increased and sustained, this would worsen the FY26 deficit by \$1.1 bn compared to the baseline scenario.
- Budget balance forecasts: the deficit is projected to shrink from -\$1,239 mn (-1.3% of nominal GDP) in FY25, to -\$794 mn (-0.8%) in FY26, -\$327 mn (-0.3%) in FY27, and \$10 mn (0.0%) in FY28 (chart 1).
- Net debt: increasing from 36.1% of nominal GDP in FY25 to 37.1% in FY27 then declining to 36.8% in FY28 (chart 2).
- Economic assumptions: real GDP growth of 1.1% in 2024, picking up to 1.7% in both 2025 and 2026.
- Borrowing requirements: \$6.5 bn complete in FY25, with \$5.9 bn in FY26, \$4.1 bn in FY27, \$5.5 bn in FY28, and \$6.8 bn in FY29

OUR TAKE

Manitoba's Budget 2025 presents a relatively unchanged budget balance outlook that continues to aim for FY28 as the fiscal year to achieve a (very small) surplus. An additional \$3.5 bn in program spending is added across FY26 through FY28, which is to be partially offset by greater revenue generated by a mix of tax changes. The budget announces a variety of tax increases and decreases, with own-source revenue estimated to increase by 7% year-over-year for FY26—before doubling the revenue contingency line to \$200 mn in FY26. However, the budget halves the contingencies from \$100 mn to \$50 mn for both FY27 and FY28. Some of the elements driving the projected strong revenue growth include: a pause on the indexation of personal income tax brackets and the basic personal allowance, an estimated 24% increase in property taxes, a return to profitability by Manitoba Hydro, and a 10% increase in federal payments (which incorporates a one-time boost from a rescheduling of some payments related to childcare from this year into next year).

Total expenditure is expected to increase from \$24.5 bn in FY25 to \$25.85 bn in FY26.

Operating expenses are projected to rise 5.5% in FY26, led by a robust 7% increases in spending on health and education. Spending restraint in future years will be crucial in order to achieve the targeted return to balance in FY28, as total spending is projected to increase by 2.1% in FY27 and by 2.0% in FY28.

Net debt levels are projected to be \$34.5 bn in FY25, lower than the \$34.6 bn estimated in the mid-year update. In the mid-year update, net debt levels had been revised down by \$830 mn relative to Budget 2024 to align with the re-measurement gains and losses reported in the 2023-24 Public Accounts. This lower hand-off in net debt as a percent of nominal GDP is projected to increase from 36.1% in FY25 to 36.9% in FY26 and 37.1% in FY27, before falling to 36.8% in FY28.

The budget expects real GDP growth to increase from an estimated 1.1% in 2024 to 1.7% in both 2025 and 2026. Nominal GDP growth is projected to slow from an estimated 3.8% in 2024 to 3.6% in 2025 and 3.4% in 2026. These economic assumptions underpinning the baseline outlook face downside risks should an escalation in tariffs occur. Also included in

March 20, 2025

the budget is a scenario where the US imposes 25 per cent tariffs on imports with retaliation from Canada. This added tariff response scenario estimates that this would result in a \$1.1 bn impact to the budget through \$500 mn in tariff response contingency spending and \$600 mn in revenue contingencies, bringing the deficit to -\$1.9 bn in FY26.

Total borrowing requirements of \$6.5 bn have been completed in FY25, and \$5.9 bn is expected in FY26, of which \$1.9 bn is pre-funding for fiscal year 2026–27. Borrowing requirements in the medium-term are expected to be \$4.1 bn in FY27 (with \$2.5 bn new cash and \$1.6 bn in refinancing), \$5.5 bn in FY28 (with \$2.7 bn new cash and \$2.7 bn in refinancing), and \$6.8 bn in FY29 (with \$2.6 bn new cash and \$4.1 bn in refinancing).

| Updated Fiscal Forecast \$ millions except where noted | | | | |
|---|---------------|---------------|---------------|---------------|
| | FY25 | | FY26 | |
| | Bud. '24 | Nov. '24 | Bud. '25 | Bud. '25 |
| Total Revenue | 23,437 | 23,399 | 23,367 | 25,256 |
| % change | 9.1 | 7.4 | 7.2 | 8.1 |
| Own-Source | 15,146 | 15,220 | 15,257 | 16,326 |
| Federal Transfers | 8,291 | 8,179 | 8,110 | 8,930 |
| Total Spending | 24,133 | 24,608 | 24,506 | 25,850 |
| % change | 2.8 | 3.6 | 3.1 | 5.5 |
| Program Spending | 21,869 | 22,275 | 22,173 | 23,513 |
| % change | 2.7 | 3.1 | 2.6 | 6.0 |
| Debt Service | 2,264 | 2,333 | 2,333 | 2,337 |
| % of Revenue | 9.7 | 10.0 | 10.0 | 9.3 |
| Contingency | 100 | 100 | 100 | 200 |
| Budget Balance | -796 | -1,309 | -1,239 | -794 |
| % of GDP | -0.9 | -1.4 | -1.3 | -0.8 |
| Net Debt | 35,421 | 34,591 | 34,472 | 36,500 |
| % of GDP | 38.5 | 36.4 | 36.1 | 36.9 |

Sources: Scotiabank Economics, Manitoba Finance.

| Medium-Term Fiscal Forecast \$ millions except where noted | | | | | | | | |
|---|-------------|---------------|-------------|-------------|-------------|-------------|-----------|-----------|
| | FY25 | | FY26 | | FY27 | | FY28 | |
| | Bud. '24 | Bud. '25 | Bud. '24 | Bud. '25 | Bud. '24 | Bud. '25 | Bud. '24 | Bud. '25 |
| Total Revenue | 23,437 | 23,367 | 24,227 | 25,256 | 25,092 | 26,128 | 25,966 | 26,982 |
| % change | 9.1 | 7.2 | 3.4 | 8.1 | 3.6 | 3.5 | 3.5 | 3.3 |
| Total Expenditure | 24,133 | 24,506 | 24,659 | 25,850 | 25,258 | 26,405 | 25,848 | 26,922 |
| Programs | 21,869 | 22,173 | 22,302 | 23,513 | 22,795 | 23,973 | 23,301 | 24,444 |
| % change | 2.8 | 3.1 | 2.2 | 5.5 | 2.4 | 2.1 | 2.3 | 2.0 |
| Planned Contingency | 100 | 100 | 100 | 200 | 100 | 50 | 100 | 50 |
| Budget Balance | -796 | -1,239 | -532 | -794 | -266 | -327 | 18 | 10 |
| % of GDP | -0.9 | -1.3 | -0.6 | -0.8 | -0.3 | -0.3 | 0.0 | 0.0 |
| Net Debt | | | | | | | | |
| % of GDP | 38.5 | 36.1 | 39.1 | 36.9 | 38.9 | 37.1 | 38.3 | 36.8 |

Sources: Scotiabank Economics, Manitoba Finance.

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